CONSOLIDATED BALANCE SHEETS

(In 000s of US$) At December 31

	1999	1998
ASSETS		
Current assets		
Cash and cash equivalents	$ 19,788	$ 15,998
Short term investments *(Note 5)*	71,940	2,656
Amounts receivable	9,527	4,667
Income taxes recoverable	5,268	1,781
Inventory	7,419	4,215
Mortgages and other advances *(Note 6)*	1,679	159
Other assets *(Note 7)*	2,110	2,610
Deferred income taxes *(Note 15)*	1,948	704
Discontinued assets *(Note 3)*	2,388	207,240
	122,067	240,030
Mortgages and other advances *(Note 6)*	4,264	4,382
Other assets *(Note 7)*	15,518	14,044
Portfolio investments *(Note 8)*	3,013	–
Equity in Impower, Inc. *(Note 4)*	9,735	–
Long term care facilities *(Note 9)*	24,674	25,497
Product acquisition costs	99,721	108,362
Discontinued assets *(Note 3)*	–	103,150
	$ 278,992	$ 495,465
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	$ –	$ 76,500
Accounts payable and accrued charges	27,078	19,953
Deferred revenue	995	2,115
Mortgages and loans payable *(Note 10)*	343	4,358
Discontinued liabilities *(Note 3)*	–	167,249
	28,416	270,175
Deferred revenue	1,923	1,860
Mortgages and loans payable *(Note 10)*	20,325	20,645
Other long term debt *(Note 11)*	84,659	84,659
Deferred income taxes *(Note 15)*	16,646	843
	151,969	378,182
Minority interest	4,679	984
Shareholders' equity	122,344	116,299
	$ 278,992	$ 495,465

The accompanying notes are an integral part of the financial statements.

On behalf of the Board

Allan Silber,
Director

Morris Perlis,
Director

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In 000s of US$) Year ended December 31

	Common Shares (Note 12) No. of Shares (In 000s)	Amount	Equity Component Debentures Payable (Note 11)	Retained Earnings (Deficit)	Total Share-holders' Equity
Balance, December 31, 1997	27,947	$125,127	$ 5,341	$ 10,696	$141,164
Shares issued	90	640			640
Shares purchased for cancellation	(336)	(1,476)		(1,251)	(2,727)
Interest on equity component of debentures payable				(390)	(390)
Income tax benefit on employee stock options				236	236
Net loss				(22,624)	(22,624)
Balance, December 31, 1998	27,701	124,291	5,341	(13,333)	116,299
Shares issued	20	32			32
Shares purchased for cancellation	(2,188)	(8,072)		(5,660)	(13,732)
Interest on equity component of debentures payable				(595)	(595)
Dividends				(26,357)	(26,357)
Net earnings				46,697	46,697
Balance, December 31, 1999	25,533	$116,251	$ 5,341	$ 752	$122,344

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

(In 000s of US$ except per share amounts) Year ended December 31

	1999	1998
Revenues	$ 75,701	$ 53,543
Earnings		
From operating businesses		
Pharmaceutical products	$ 15,614	$ 1,307
e-Commerce	40	–
Clinical laboratory	–	466
Long term care	681	1,212
Realization of value in operating businesses *(Note 14)*	1,929	2,232
Interest and other income	5,803	7,908
Earnings before undernoted expenses	24,067	13,125
Corporate	3,893	3,008
Interest	8,962	3,042
Amortization	7,204	1,372
Earnings from operations	4,008	5,703
Writedown of investments	(148,456)	–
Earnings (loss) before income taxes and minority interest	(144,448)	5,703
Income tax recovery *(Note 15)*	(54,001)	(871)
Minority interest	(1,079)	(111)
Earnings (loss) from continuing operations	(89,368)	6,685
Earnings from discontinued pharmacy services operations after tax *(Note 3)*	150,594	3,793
Loss from discontinued home health care operations after tax *(Note 3)*	(14,529)	(33,102)
Net earnings (loss)	$ 46,697	$ (22,624)
Earnings per share – basic		
Earnings (loss) from continuing operations	$ (3.43)	$ 0.22
Earnings (loss) from discontinued operations after tax	5.19	(1.05)
Net earnings (loss) – basic	$ 1.76	$ (0.83)
Earnings (loss) per share – fully diluted		
Earnings (loss) from continuing operations	$ (3.43)	$ 0.22
Earnings (loss) from discontinued operation after tax	4.78	(1.05)
Net earnings (loss) – fully diluted	$ 1.35	$ (0.83)
Weighted average number of common shares outstanding *(in 000s)*	26,258	27,881

The accompanying notes are an integral part of the financial statements.

	1999	1998
Cash provided by (used in) operating activities		
Earnings (loss) from continuing operations	$ (89,368)	$ 6,685
Non-cash items included in net earnings		
Writedown of investments	148,456	–
Amortization	7,204	1,372
Amortization of deferred revenue	(1,057)	(1,703)
Deferred income taxes	(53,334)	163
Minority interest	(1,079)	(111)
Equity in earnings of affiliate	(29)	–
Gain on realization of value in operating businesses	(1,929)	(2,232)
(Increase) decrease in amounts receivable	(3,146)	2,437
Increase in income taxes recoverable	(2,147)	(1,028)
Increase in inventory	(2,891)	(4,170)
(Increase) decrease in other assets	739	(2,807)
Increase in accounts payable	1,107	11,368
Discontinued operations	–	(7,948)
Net cash provided by operating activities	2,526	2,026
Cash provided by (used in) investing activities		
Investment in Impower, Inc.	(10,000)	–
Investment in portfolio companies	(3,013)	–
Acquisition of pharmaceutical product businesses	(2,483)	(114,482)
Mortgages and other advances – lending	(1,402)	–
Mortgages and other advances – repayments	655	530
Purchase of property and equipment	(1,638)	–
Drug development costs	(482)	–
Proceeds on realization of value in operating businesses	1,690	3,070
Disposition of interest in pharmaceutical products business	4,627	–
Other investments	(6,419)	333
Discontinued operations	156,397	–
Net cash provided by (used in) investing activities	137,932	(110,549)
Cash provided by (used in) financing activities		
Increase (decrease) in bank indebtedness	(76,500)	75,500
Borrowings (repayments) of mortgages and loans payable	(4,312)	3,056
Other long term debt	–	40,000
Issuance of capital stock	32	640
Shares purchased for cancellation	(13,732)	(2,727)
Interest paid on equity component of debentures payable	(595)	(390)
Dividends paid	(26,357)	–
Discontinued operations	(15,204)	–
Net cash provided by (used in) financing activities	(136,668)	116,079
Increase in cash and cash equivalents	3,790	7,556
Cash and cash equivalents, beginning of year	15,998	8,442
Cash and cash equivalents, end of year	$ 19,788	$ 15,998
Supplemental disclosure of cash flow information		
Cash paid during the period for items relating to continuing operations		
Interest	$ 7,234	$ 4,624
Income tax refunds	$ (1,082)	–
Income tax payments	$ 1,751	–
Portion of proceeds on sale of pharmacy services business derived from capital stock of the purchaser	$ 207,174	–

The accompanying notes are an integral part of the financial statements.

(Table amounts in 000s except per share amounts) December 31, 1999 and 1998

The consolidated financial statements of Counsel Corporation (the "Company") are prepared in accordance with accounting principles generally accepted in Canada and are presented in United States ("US") dollars. The accounting principles used differ in certain respects with those generally accepted in the US, as described in *Note 21*.

The consolidated financial statements include the accounts of the Company and all companies in which it has voting control. The results of operations of companies acquired during the years are included from the dates of acquisition.

The Company's principal operating subsidiaries and its respective voting interest in each subsidiary at December 31, 1999 and 1998 are as follows:

	1999	1998
Counsel Healthcare Assets Inc. *(i)*	–	100%
FARO Pharmaceuticals Inc. ("FARO") *(Note 4)*	78.3%	90.4%
Sage BioPharma Inc. ("Sage") *(Note 4) (ii)*	–	61%
Stadtlander Drug Company Inc. ("Stadtlander") *(Note 3 (a)) (iii)*	–	100%

(i) Effective at the close of business December 31, 1998 the Company amalgamated with its wholly owned subsidiary, Counsel Healthcare Assets Inc.
(ii) Effective December 31, 1999, FARO acquired all of the outstanding shares of Sage.
(iii) Effective January 21, 1999 the Company sold Stadtlander.

Corporations over which voting control does not exist but significant influence is exercised are carried on the equity method. The Company's proportionate share of revenues from these corporations is included in the Company's revenues. Amortization of the difference between acquisition cost and the underlying fair value of the net identifiable assets acquired at the date of acquisition is included in amortization expense.

The principal operating affiliates over which the Company exerts significant influence and its respective voting interest in each affiliate at December 31, 1999 and 1998 are as follows:

	1999	1998
Impower, Inc. ("Impower") *(Note 4)*	25.2%	–
American HomePatient Inc. ("AHOM") *(Note 3 (b))*	26.3%	26.6%

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

The accounts of integrated Canadian entities are translated into US dollars at the exchange rate prevailing at the year end for all monetary assets and liabilities and at historical exchange rates for all non-monetary assets and liabilities. Revenues and expenses, other than amortization and similar accounts which are translated at historical rates, are translated at average exchange rates during the year. Exchange gains or losses arising from the translation of integrated operations have been included in earnings.

Short term investments are carried at the lower of cost and market value. Unrealized losses in value are included in the determination of earnings as a writedown of investments.

Inventory is valued at the lower of cost (first-in, first-out) or market and is comprised of finished goods and samples.

Portfolio investments are carried at cost. When there has been a loss in value of an investment that is other than temporary, the investment is written down to its estimated net realizable value.

(i) Debt instruments of the Company that contain an option to convert such instruments into equity of the Company by the issuer and holder have both a financial liability and an equity component. At the time of issuance, the face amount of the debt instrument is separated into its liability and equity components and presented on the balance sheet as long term debt and shareholders' equity, respectively. The liability component is derived by computing the present value of the future principal and interest payment obligations under the debt instrument at the prevailing interest rate at the time of issuance for debt securities without conversion features. The equity component is the residual after deduction of the liability component from the face amount of the debt instrument. Interest on such debt instruments relating to the financial liability component is charged to earnings, and interest relating to the equity component is charged to retained earnings.

(ii) The carrying amounts reported on the balance sheet for amounts receivable, bank indebtedness and accounts payable and accrued charges approximate their fair values. The fair values of other financial instruments are disclosed in *Notes 5, 8* and *16*. The estimated fair value of marketable securities carried at cost are based on quoted market values. Other fair value amounts are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value. The fair value estimates are based on pertinent information available to management as at the balance sheet date. Such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

Costs to acquire the rights to pharmaceutical products are capitalized and amortized on a straight-line basis over 20 years. Accumulated amortization of these costs amounted to $5,655,000 at December 31, 1999 (1998 – $328,000). The carrying value of unamortized product acquisition costs is evaluated to determine whether any impairment of these assets has occurred or whether any revision to the related amortization period should be made. This evaluation is based on management's projections of the undiscounted future cash flows associated with each product. Any impairment would be recognized by a writedown of the applicable asset.

(i) Long term care facilities are recorded at the lower of cost and estimated net recoverable amount. Amortization is provided using the sinking fund method, under which an increasing amount, consisting of a fixed annual sum together with interest thereon compounded at a rate of 5% per annum, is charged to earnings so as to fully amortize the buildings over a 33-year period.

(ii) Furniture, equipment and leasehold improvements are recorded at cost with amortization being provided over their estimated useful lives as follows:

Furniture and equipment – straight-line or accelerated method over periods from 3 to 7 years and declining balance method at 20% per annum

Leasehold improvements – straight-line over the shorter of the term of the lease or estimated useful life of the asset

(iii) Financing costs are amortized over the term of the related debt.

(iv) Goodwill, representing the excess of cost over the fair value of net identifiable assets acquired, is being amortized by the straight-line method over various periods ranging from 5 to 40 years. The Company annually evaluates whether there has been a permanent impairment in the value of goodwill. Factors considered in this evaluation include an assessment of historical income trends and future projected earnings from operations of businesses acquired, on an undiscounted basis, as well as other market indicators.

Deferred revenue is being amortized on a straight-line basis over periods ranging from 5 to 10 years.

Cash and cash equivalents are comprised of cash and short term market investments with original maturities of three months or less. At December 31, 1999 cash equivalents were $11,700,000 (1998 – $2,284,000).

The Company and FARO have stock-based compensation plans, which are described in *Note 13*. No compensation expense is recognized for these plans when stock or stock options are issued to employees and directors. Any consideration paid by employees and directors on exercise of stock options or purchase of stock is credited to share capital.

Certain comparative figures have been reclassified to conform to current year financial statement presentation.

Effective January 1, 1999, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the presentation of cash flow information. Cash flow information for the prior year has been restated to conform to the new recommendations. There was no material effect to the statements of cash flows due to the adoption of these new recommendations.

Under the new recommendations, non-cash transactions are excluded from the statement of cash flows and are disclosed elsewhere in the financial statements. Cash equivalents are restricted to investments that are readily convertible into a known amount of cash, that are subject to minimal risk of changes in value and which have an original maturity of three months or less. As well, changes in short term borrowings, other than temporary overdrafts which are an integral part of the Company's day-to-day cash management process, are treated as financing activities.

Effective January 1, 1999, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. This change in accounting policy did not have a material impact in the calculation of the current or prior year's income tax expense nor on the future tax assets and liabilities, and has therefore been accounted for prospectively.

Under the new recommendations, the liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. Income tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and measured at the tax rate in effect in the year the difference originated.

Discontinued pharmacy services operations include the specialty retail pharmacy business of Stadtlander and the Company's interest in the institutional pharmacy business of PharMerica Inc. ("PharMerica"). During 1999, the Company's plan of disposal for this segment was completed. On January 21, 1999 the Company sold Stadtlander to Bergen Brunswig Corporation ("Bergen") for net sale proceeds of $333,852,000, comprised of $171,374,000 in cash and $162,478,000 in stock, consisting of 5,676,101 common shares of Bergen. The disposition resulted in a gain of $188,986,000 after income taxes of $71,214,000 (see *Note 15*). Included in the determination of the after tax gain is the cost of cancellation of all Stadtlander outstanding employee and director stock options aggregating $25,058,000. Of this amount, $19,874,000 was paid to officers of the Company.

On April 26, 1999, Bergen acquired 100% of the stock of PharMerica in exchange for .275 of a share of Bergen for each outstanding share of PharMerica. Proceeds of $44,696,000 for the Company's interest in PharMerica were based on the fair value of the 2,156,554 shares of Bergen received. The exchange of the Company's interest in PharMerica for Bergen stock resulted in an after tax loss of $38,392,000 after an income tax recovery of $3,147,000.

Summarized below is selected financial information for discontinued pharmacy services operations for 1999 and 1998:

	1999	1998
Revenue	$ –	$ 395,371
After tax earnings from discontinued operations prior to measurement date	$ –	$ 3,793
Net gain from discontinued operations after tax	150,594	–
Earnings from discontinued operations after tax	$ 150,594	$ 3,793

Included in after tax earnings from discontinued operations prior to measurement date is interest on corporate debentures allocated based on the ratio of net assets of discontinued pharmacy services operations to consolidated net assets.

Effective November 6, 1998, the Company adopted a plan to dispose of its home health care operations through the disposition of its interest in AHOM. Accordingly, the Company adjusted the carrying value of its investment in AHOM to reflect both the estimated future operating losses and estimated net realizable value of its investment. During 1999, the market value of the Company's interest in AHOM declined from its December 31, 1998 level. As a result, management determined that a sale of the Company's interest in AHOM did not offer an optimal return to the Company's shareholders. Subsequent to the year end, a dividend in kind of the Company's interest in AHOM was declared, resulting in an after tax loss of $14,529,000.

Summarized below is selected financial information for discontinued home health care operations for 1999 and 1998:

	1999	1998
Revenue	$ –	$ 91,890
After tax earnings from discontinued operations prior to measurement date	$ –	$ (1,555)
Net loss from discontinued operations after tax	(14,529)	(31,547)
Loss from discontinued operations after tax	$ (14,529)	$ (33,102)

Impower, Inc.

On October 22, 1999, the Company acquired a 25.2% interest in Impower for cash consideration of $10,000,000. Impower provides transaction-based Internet direct marketing and electronic database management products and services. The acquisition has been accounted for under the purchase method of accounting. The cost of the acquisition was allocated on the basis of the fair market value of assets acquired ($2,893,000) and liabilities assumed ($445,000), resulting in $7,552,000 of unallocated excess of cost over the net assets acquired, which is being amortized over a period of 5 years. The Company is committed to the acquisition of an additional 8.4% of Impower for cash consideration of $5,000,000, after which the Company will hold a 33.6% interest.

FARO Pharmaceuticals Inc.

On November 12, 1998, the Company completed the acquisition of an 82.5% interest in FARO for cash consideration of $5,484,000. On December 15, 1998, a further 7.9% interest was acquired for cash consideration of $10,000,000 resulting in a 90.4% interest at December 31, 1998. These acquisitions have been accounted for under the purchase method of accounting. The cost of these acquisitions was allocated on the basis of the fair market value of the assets acquired ($15,280,000) and the liabilities assumed ($1,979,000). These valuations gave rise to $3,446,000 of unallocated excess of cost over net assets acquired, which is being amortized over a period of 20 years. Minority interest at December 15, 1998 amounted to $1,263,000.

On December 15, 1998, FARO acquired all rights including trademarks, copyrights and regulatory filings to certain pharmaceutical products from Glaxo Wellcome Inc. for a total consideration of $105,356,000 comprised of $65,356,000 in cash and $40,000,000 in a vendor note. The cost of the acquisition is being amortized over a period of 20 years *(Note 1 (h))*.

As a result of a FARO private placement on March 17, 1999, the exercise of pre-emptive rights, the exercise of employee stock options in FARO during 1999 and the acquisition of Sage by FARO, effective December 31, 1999, the Company's interest in FARO decreased from 90.4% at December 31, 1998 to 78.3% at December 31, 1999. Since both FARO and Sage were controlled by the Company, the acquisition was accounted for in a similar manner to a pooling of interests.

The Company has warrants to acquire an additional 2.1% of FARO for cash consideration of $4,125,000. The warrants expire as to 88% in 2001 and the remainder in 2002. At December 31, 1999, the Company's fully diluted ownership interest in FARO is 75.6%.

Sage BioPharma Inc.

On June 30, 1998, the Company acquired a controlling interest in Sage for nominal consideration. Sage is engaged in providing hormonal therapy products in the United States. At December 31, 1998, the Company had invested $1,470,000 in preferred stock of Sage. Also on June 30, 1998, Sage acquired the rights to market certain hormonal pharmaceutical products in North America for a period of 10 years from the date those products are approved for distribution.

In January 1999, Sage acquired substantially all of the net assets of Advanced Reproductive Technologies, Inc. for $275,000 including note consideration of $115,000. The acquisition has been accounted for under the purchase method of accounting. The cost of the acquisition was allocated on the basis of the fair market value of assets acquired ($60,000) and liabilities assumed ($61,000). The valuation resulted in $276,000 of unallocated excess of cost over net liabilities assumed, which is being amortized over a period of 10 years.

In March 1999, Sage acquired substantially all of the net assets of Fertility Technologies, Inc. for cash consideration of $2,323,000. The acquisition has been accounted for under the purchase method of accounting. The cost of the acquisition was allocated on the basis of the fair market value of assets acquired ($701,000) and liabilities assumed ($295,000). The valuation resulted in $1,917,000 of unallocated excess of cost over net assets acquired, which is being amortized over a period of 10 years.

During 1999, the Company increased its investment in preferred stock of Sage from $1,470,000 to $6,500,000. Effective December 31, 1999, due to FARO's purchase of Sage, the Company exchanged its common and preferred stock of Sage, for common and preferred stock of FARO.

Summarized below is selected financial information relating to short term investments at December 31, 1999:

	Number of Shares	Carrying Amount	Fair Value
Bergen Brunswig Corporation	7,832	$ 65,090	$ 65,090
RioCan REIT	1,309	6,216	7,841
Other		634	658
		$ 71,940	$ 73,589

The Company's investment in Bergen acquired as partial consideration for the sale of Stadtlander to Bergen and the share for share exchange of PharMerica for Bergen (see *Note 3 (a)*) had an initial accounting basis of $207,174,000. Subsequent to December 31, 1999 management determined that the Bergen stock should be reclassified from portfolio investments to short term investments. Consequently, this investment has been written down by $142,084,000 based on the quoted market price of $8.31 per share at December 31, 1999.

The mortgages and other advances bear interest at rates ranging from 0% to 9.25% (1998 – 0% to 9.25%) with a weighted average year end rate of 2.6% (1998 – 3.2%) and are receivable as follows:

2000	$ 1,679
2001	1,039
2002	–
2003	–
2004	1,554
Thereafter	1,671
	$ 5,943

Approximately 57.4% (1998 – 65.5%) of mortgages and other advances are receivable in Canadian dollars.

Included in mortgages and other advances are non-interest bearing loans due from executive officers for the purchase of shares of the Company. Summarized below is selected financial information for share purchase loans at December 31, 1999:

Date of Advance	Carrying Amount	Date of Maturity	Number of Shares Held as Security	Market Value of Shares at December 31, 1999
January 19, 1996	$ 1,039	(see *Note 13 (a) (ii)*)	300	$ 600
November 30, 1999	83	November 29, 2004	50	100
December 17, 1999	1,471	December 16, 2004	852	1,704
	$ 2,593		1,202	$ 2,404

Other assets are as follows:

	1999	1998
Capital assets (net of amortization of $1,332; 1998 – $815)	$ 3,390	$ 1,622
Other investments	4,508	6,840
Financing costs	1,574	2,976
Prepaid expenses	1,170	686
Security deposits	118	121
Goodwill (net of amortization of $697; 1998 – $293)	6,868	4,409
	17,628	16,654
Less – current portion	(2,110)	(2,610)
	$ 15,518	$ 14,044

Summarized below is selected financial information relating to portfolio investments at December 31, 1999.

	Number of Shares	Carrying Amount	Fair Value
Delano Technologies Inc.	845	$ 2,000	$ 9,290
HIP Interactive Inc.	1,500	1,013	3,116
		$ 3,013	$ 12,406

The Company may elect to satisfy its obligation to pay principal upon redemption or at maturity by the issuance of its own common shares to the holders of the debentures. The number of shares to be issued is obtained by dividing the face amount of the debentures by 95% of the weighted average trading price of the common shares for the 20 consecutive trading days, ending on the fifth trading day prior to the date of notice of such election.

The debentures are convertible into common shares of the Company at the option of the holder at any time prior to the earlier of the maturity date and the last business day immediately preceding the date fixed for redemption at a conversion price of $11.73 per share.

As a result of the debentures being convertible into common shares of the Company at the option of the issuer and holder, the debentures have both a liability and equity component. At the date of issue, the following represent these components:

Face amount	$ 50,000
Financial liability component being the present value of future principal and interest obligations at a discount rate of 8.15%	44,659
Equity component	$ 5,341

On December 15, 1998, a vendor note in the amount of $40,000,000 was assumed as part of the consideration for the acquisition of all rights to certain pharmaceutical products by FARO (*Note 4*). The note is payable in equal quarterly principal instalments of $3,333,333, commencing March 15, 2001 and concluding on December 15, 2003. The note bears interest at a rate of 2% above the posted 90-day LIBOR as of the first day of each quarter and is payable quarterly. At December 31, 1999, the note was secured by the pledge of 5,715,101 shares of Bergen (see *Notes* 3 and 5).

	Number of Shares 1999
Authorized:	
Preferred shares	Unlimited
Common shares	Unlimited

During 1999, the Company replaced its special shares with one class of preferred shares issuable in series and changed the authorized number of its common shares to an unlimited number.

	Number of Shares		Amount	
	1999	1998	**1999**	1998
Issued:				
Common shares	**25,533**	27,701	**$ 116,251**	$ 124,291

During 1999, pursuant to normal course issuer bids, the Company acquired 2,188,500 common shares for cancellation (1998 – 335,800 common shares).

The Company's investment in long term care facilities is as follows:

	1999	1998
Land	$ 2,226	$ 2,226
Buildings and improvements	28,439	28,439
Equipment	4,341	4,341
Accumulated amortization	(10,332)	(9,509)
	$ 24,674	$ 25,497

The mortgages and loans secured by long term care facilities bear interest at rates ranging from 7.93% to 8.55% (1998 – 7.93% to 9.0%) with a weighted average year end rate of 8.30% (1998 – 8.41%) and are repayable as follows:

2000	$ 343
2001	225
2002	225
2003	225
2004	7,256
Thereafter	12,394
	$ 20,668

Approximately 64.5% (1998 – 61.7%) of mortgages and loans payable are repayable in Canadian dollars.

Other long term debt is as follows:

	1999	1998
Debentures payable	$ 44,659	$ 44,659
Note payable	40,000	40,000
	$ 84,659	$ 84,659

On October 31, 1996, the Company issued $50,000,000 of convertible unsecured subordinated debentures bearing interest at 6% per annum payable semi-annually on April 30 and October 31 and maturing on October 31, 2003.

The debentures had no redemption privileges on or prior to October 31, 1998. After October 31, 1998 and on, or prior to, November 1, 2001, the Company may redeem the debentures at par plus accrued interest, but only if the weighted average price at which the common shares of the Company have traded during the 20 consecutive trading days immediately prior to the redemption date is at least 125% of the conversion price if notice to redeem is given before November 1, 2000 and 115% of the conversion price if given on or after November 1, 2000 and before November 1, 2001. The Company may redeem the debentures at any time on or after November 1, 2001 at par plus accrued interest.

At December 31, 1999, the Company had three stock-based compensation plans, comprised of two fixed stock option plans and one share purchase plan.

(i) Fixed stock option plans

Under the 1992 Director, Officer and Employee Stock Option Plan, the Company may grant options to its directors, officers and employees for up to 2,700,000 common shares. Under the 1997 Stock Option Plan, the Company may grant options to its directors, officers, employees and any other person or company engaged to provide ongoing management or consulting services for the Company, for up to 4,200,000 common shares. Under both plans, the exercise price of each option equals the market price of the Company's common shares on the date of grant. The maximum term of the grant is 6 years from the date of initial vesting of any portion of the grant. Unless otherwise provided, options vest 20% on the date of grant and 20% on each of the first through fourth anniversaries of the grant date. All unvested options vest upon a change of control of the Company.

A summary of the status of the Company's fixed stock option plans at December 31, 1999 and 1998, and changes during the years ended December 31, 1999 and 1998, is presented below:

	1999		1998	
	Number of Shares	Weighted Average Exercise Price (in C$)	Number of Shares	Weighted Average Exercise Price (in C$)
Fixed stock options				
Outstanding at beginning of year	3,119	$ 14.76	3,146	$ 14.58
Granted	477	10.17	73	14.54
Exercised	(20)	2.40	(50)	11.74
Forfeited	(6)	17.53	(50)	13.66
Outstanding at end of year	3,570	$ 14.21	3,119	$ 14.76
Options exercisable at end of year	2,961	$ 14.74	2,847	$ 14.73

The following table summarizes information about fixed stock options outstanding and exercisable at December 31, 1999.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices (in C$)	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price (in C$)	Number Exercisable	Weighted Average Exercise Price (in C$)
$2.40	92	.49 years	$ 2.40	92	$ 2.40
$7.85 to $10.50	560	4.82	9.91	99	8.95
$12.50 to $15.30	1,788	3.01	13.83	1,760	13.85
$16.50 to $20.25	1,130	3.19	17.92	1,010	17.97
$2.40 to $20.25	3,570	3.28	$ 14.21	2,961	$ 14.74

(ii) Share purchase plan

Under the Company's Share Purchase Plan, the Company is authorized to issue up to 300,000 common shares to executive officers. The purchase price of its shares equals the market price of the Company's common shares on the date of purchase. The Company lends the full amount of the purchase price to the participant and loans are non-interest bearing and due on the later of five years from the date of advance and the date on which the shares purchased under the plan have a market value equal or greater than twice the amount of the loan outstanding but, in any case, no later than the tenth anniversary of the date of advance. All of the shares authorized under the plan were issued in 1996 (see *Note 6*).

At December 31, 1999, FARO, had two fixed stock-based compensation plans. Under the company's 1994 Stock Option Plan, the company may grant to its officers, employees and independent contractors who perform services for the company up to 1,500,000 shares of common stock. Under the company's 1999 Stock Option Plan, the company may grant to its officers, employees and independent contractors who perform services for the company up to 12,300,000 shares of common stock. Options granted under the plans may be either incentive or non-qualified stock options. Incentive stock options granted to employees must be at an exercise price not less than fair market value at the date of the grant. Non-qualified options may be granted at a price not less 85% of fair market value at the date of the grant. The maximum term of the grant is 10 years from the date of the grant. Unless otherwise provided, options vest 33.33% on the date of the grant and 33.33% on each of the following two anniversaries of the grant date. All unvested options vest upon a change of control of the company (see *Note 4*).

A summary of the status of the company's fixed stock option plans at December 31, 1999 and 1998, and changes during the years ended December 31, 1999 and 1998, is presented below:

	1999		1998	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Fixed stock options				
Outstanding at beginning of year	**2,017**	**$ 0.78**	1,398	$ 1.03
Granted	**9,350**	**0.25**	1,747	0.35
Exercised	**(757)**	**0.35**	(1,006)	0.18
Forfeited	**(10)**	**0.49**	(122)	2.44
Outstanding at end of year	**10,500**	**$ 0.34**	2,017	$ 0.78
Options exercisable at end of year	**6,443**	**$ 0.40**	1,547	$ 0.87

The following table summarizes information about fixed stock options outstanding and exercisable at December 31, 1999.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.1 to $0.25	9,656	5 years	$ 0.24	5,679	$ 0.24
$0.40 to $1.00	230	3.00	0.52	155	0.56
$1.75 to $3.00	614	3.00	1.85	609	1.84
$0.01 to $3.00	10,500	4.73	$ 0.34	6,443	$ 0.40

	1999	1998
Pharmaceutical products	$ 437	$ –
Clinical laboratory	–	1,289
Recoveries	1,492	943
	$ 1,929	$ 2,232

Pharmaceutical products

During the year, the Company's interest in FARO was diluted due to a March 17, 1999 private placement, the exercise of pre-emptive rights, and the exercise of employee stock options. Cumulatively, these transactions resulted in a gain of $437,000.

Clinical laboratory

On November 3, 1998, the Company sold its 50.1% interest in US Lab for cash consideration of $2,003,000, resulting in a gain of $1,289,000.

The Company's income tax provision differs from the provision computed at statutory rates as follows:

	1999	1998
Earnings (loss) before income taxes and minority interest	$(144,448)	$ 5,703
Income taxes (recovery), based on statutory tax rates of 44.62%	$ (64,453)	$ 2,545
Increase (decrease) in taxes resulting from:		
Non-taxable transactions	1,745	1,975
Lower effective tax rate of foreign subsidiaries	13,256	285
Utilization of losses carried forward	(4,638)	(5,687)
Large corporation tax	89	11
Actual income tax recovery	$ (54,001)	$ (871)
Represented by:		
Current	$ 3,873	$ 4,642
Deferred (recovery)	(53,334)	163
Utilization of losses carried forward	(4,629)	(5,687)
Large corporation tax	89	11
	$ (54,001)	$ (871)

The Company's income tax provision by country is as follows:

	1999	1998
Canada		
Current	$ 108	$ 27
Deferred (recovery)	(3,900)	88
	$ (3,792)	$ 115
United States		
Current (recovery)	$ (775)	$ (1,061)
Deferred (recovery)	(49,434)	75
	$ (50,209)	$ (986)
Total		
Current (recovery)	$ (667)	$ (1,034)
Deferred (recovery)	(53,334)	163
	$ (54,001)	$ (871)

The composition of the Company's net deferred tax assets and liabilities is as follows:

	1999	1998
Current deferred tax asset:		
Revenue recognition	$ 170	$ 255
Accrued charges currently not deductible for tax	983	150
Other	795	299
Net current deferred tax asset	$ 1,948	$ 704
Non-current deferred tax asset:		
Revenue recognition	$ 308	$ 445
Basis differences of investments	4,963	–
Debt placement fees	1,001	–
Other	192	180
	6,464	625
Non-current deferred tax liability:		
Basis differences of investments	(20,769)	–
Basis differences of property	(1,598)	(1,468)
Amortization of intangible assets	(743)	–
	(23,110)	(1,468)
Net non-current deferred tax liability	$ (16,646)	$ (843)

The Company and its subsidiaries are subject to income taxes on an individual basis rather than a consolidated basis. Cumulatively, the Company has non-capital losses for carryforward aggregating approximately $1,600,000 which are available for the reduction of future years' taxable incomes. In addition, the Company and its subsidiaries have capital losses aggregating $11,081,000 available for application against future capital gains. These losses have no expiry date. Included in the $71,214,000 in income taxes on the gain from the sale of Stadtlander to Bergen (see *Note 3 (a)*) is a reduction in current income taxes of $18,000,000 resulting from the Company's application of income tax losses on certain investments which the Company believes are deductible.

Financial instruments that have fair values that differ from their carrying values are as follows:

	1999		1998	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgages and other advances	$ 5,943	$ 5,595	$ 4,541	$ 2,995
Mortgages and loans payable	20,668	22,161	25,003	26,798
Other long term debt	84,659	63,659	84,659	79,659

The Company has guaranteed the repayment of certain mortgages, of which $29,208,000 expire in 2004 and $9,089,000 expire in 2015. Management believes that the value of the assets securing these mortgages is sufficient to cover the guarantees provided.

The Company is committed under long term operating leases with various expiry dates to 2004 and with varying renewal options. Minimum annual rentals exclusive of taxes, insurance and maintenance costs for the next five years under these leases are as follows:

2000	$ 4,731
2001	4,817
2002	4,899
2003	4,964
2004	4,415
Thereafter	1,210

Subsequent to the closing of the sale of Stadtlander, as required under the purchase agreement, Bergen notified the Company of proposed adjustments to the calculation of the final Stadtlander purchase price (see *Note 3 (a)*). The Company reviewed Bergen's proposed adjustments and concluded that the majority were not appropriate. After attempts to resolve the disputed adjustments were unsuccessful, the Company and Bergen began the process of resolving the matter through the arbitration process that had been established in the Stadtlander purchase agreement. As the arbitration process was being initiated, Bergen filed suit against the Company on October 14, 1999 in the Superior Court of the State of California for the County of Los Angeles, seeking damages for misrepresentation with respect to the sale of Stadtlander. Management believes the action is completely without merit and the Company plans to defend its position vigorously. The Company has filed a motion to stay the Bergen lawsuit and compel the parties to deal with their dispute through arbitration as mandated by the purchase agreement. To date, this motion has not been heard and, at this time, the results of any arbitration or legal proceedings are not determinable.

Factors used in the identification of reportable segments include types of services provided and products sold, as well as differences in marketing strategies employed.

During 1999 and 1998, the Company's continuing operations included the following reportable segments:

Pharmaceutical products, being the sale of drugs and related products in the United States.

e-Commerce, being the provision of technology-based products and services to businesses and consumers in the United States.

Clinical laboratory, being the provision of clinical laboratory services in the United States (see *Note 14*).

Long term care, being the ownership and leasing of long term care facilities and operations in the United States and Canada.

The following tables provide revenues, earnings, assets, capital expenditures and significant non-cash items presented by reportable segment and geographical area.

	Pharma. Products	United States e-Commerce	Long Term Care	Canada Long Term Care	Corporate Office	Total
1999						
– *Continuing operations*						
Revenues	$ 36,632	$ 233	$ 1,351	$ 29,924	$ 7,561	$ 75,701
Earnings (loss) from operating businesses	$ 15,614	$ 40	$ (650)	$ 1,331	$ –	$ 16,335
Realization of value in operating businesses	437	–	–	–	1,492	1,929
Interest and other income	–	–	–	–	5,803	5,803
Earnings (loss) before undernoted expenses	16,051	40	(650)	1,331	7,295	24,067
Corporate	462	–	–	–	3,431	3,893
Interest	4,362	–	884	1,106	2,610	8,962
Amortization	5,941	294	192	590	187	7,204
Segment earnings (loss) from operations	5,286	(254)	(1,726)	(365)	1,067	4,008
Writedown of investments	(3,898)	–	–	–	(144,558)	(148,456)
Segment earnings (loss) before income taxes and minority interest	1,388	(254)	(1,726)	(365)	(143,491)	(144,448)
Income taxes (recovery)	(410)	(92)	(690)	(146)	(52,663)	(54,001)
Segment earnings (loss) before minority interest	$ 1,798	$ (162)	$ (1,036)	$ (219)	$ (90,828)	$ (90,447)
Segment assets	$ 127,988	$ 9,735	$ 8,568	$ 19,384	$ 110,929	$ 276,604
Capital expenditures	4,038				83	4,121
Other *significant non-cash items:*						
Amortization of deferred revenue			(263)	(794)		(1,057)
Deferred income taxes	(969)		(92)	(354)	(51,919)	(53,334)
Gain on realization of value in operating businesses					(1,929)	(1,929)

	Pharma. Products	United States Clinical Lab	Long Term Care	Canada Long Term Care	Corporate Office	Total
1998						
– Continuing operations						
Revenues	$ 3,378	$ 11,145	$ 1,351	$ 29,761	$ 7,908	$ 53,543
Earnings (loss) from operating businesses	$ 1,307	$ 466	$ (649)	$ 1,861	$ –	$ 2,985
Realization of value in operating businesses	–	1,289	–	–	943	2,232
Interest and other income	–	–	–	–	7,908	7,908
Earnings (loss) before undernoted expenses	1,307	1,755	(649)	1,861	8,851	13,125
Corporate	–	–	–	–	3,008	3,008
Interest	534	73	884	1,112	439	3,042
Amortization	346	35	397	408	186	1,372
Segment earnings (loss) before income taxes and minority interest	427	1,647	(1,930)	341	5,218	5,703
Income taxes (recovery)	–	135	(672)	88	(422)	(871)
Segment earnings (loss) before minority interest	$ 427	$ 1,512	$ (1,258)	$ 253	$ 5,640	$ 6,574
Segment assets	$ 132,847	$ –	$ 12,070	$ 17,765	$ 22,393	$ 185,075
Capital expenditures	114,148	101	–	–	233	114,482
Other significant non-cash items:						
Amortization of deferred revenue	–	–	(269)	(1,434)	–	(1,703)
Deferred income taxes	–	(40)	(35)	(88)	–	(163)
Gain on realization of value in operating businesses	–	(1,289)	–	–	(943)	(2,232)

On January 20, 2000, the Company acquired a 28.5% interest in Proscape Technologies, Inc. ("Proscape") for cash consideration of $4,000,000. The Company has committed to an additional $4,000,000 investment, subject to Proscape meeting certain operating thresholds. Subsequent to this additional investment, the Company's interest in Proscape will be 42.0%. Proscape provides business-to-business fact-based, enterprise sales and marketing information software systems to middle market and Fortune 1000 companies.

On February 11, 2000, the Company acquired a 1.1% interest in Ci4net.com, Inc. ("Ci4net") through the purchase of 200,000 convertible preferred shares for cash consideration of $2,000,000. Each preferred share is convertible into 2 common shares of Ci4net. Ci4net owns 50% or more of 30 web-based companies mainly serving the United Kingdom, with additional penetration in Europe, Australia and the United States.

On March 28, 2000, the Company acquired a 26% interest in IBT Technologies, Inc. ("IBT") for cash consideration of $4,000,000. IBT delivers media-rich course content over the Internet for business training and post-secondary educational applications.

On March 28, 2000, the Company acquired a 22.5% interest in Core Communications Corporation ("Core") for cash consideration of $1,500,000. The Company has committed to an additional $1,000,000 investment in Core. Subsequent to this additional investment, the Company's interest in Core will be 32.6%. The Company has been granted warrants to purchase stock of Core at a cost of $833,000 which, if exercised, will increase the Company's interest to 39.1%. By installing a shared local area network, Core provides high-speed Internet access solutions and other communication services to trade shows, conventions, seminars and conferences.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, as promulgated by the Canadian Institute of Chartered Accountants. There are a number of differences between Canadian and United States GAAP which apply to the Company's operations. For the information of the Company's United States shareholders, the major differences are described below and their effect on the consolidated statement of earnings and the consolidated balance sheet is summarized. The effect on the consolidated statement of changes in financial position is not significant.

The differences between Canadian and United States GAAP as they apply to the Company are as follows:

The Company follows the Canadian method of providing amortization of long term care facilities on the sinking fund basis. Under United States GAAP, the straight-line method of amortization is required.

The Company follows the Canadian method of separate presentation of the financial liability and equity components of a debt instrument, when such debt instrument is convertible into equity of the Company by both the issuer and the holder. Interest relating to the financial liability component is included in the determination of income, and interest relating to the equity component is charged to retained earnings as an equity distribution to the holder. Under United States GAAP, allocation of compound financial instruments is not appropriate.

The Company follows the Canadian method of carrying short term investments at the lower of cost and market. Unrealized losses in value are included in the determination of earnings. Under United States GAAP, trading securities are carried at market, with unrealized gains and losses included in earnings.

The Company follows the Canadian method of carrying portfolio investments at cost and writing them down when permanent impairment occurs. Under United States GAAP, available-for-sale securities, which include any security for which the Company has no immediate plans to sell but which may be sold in the future, are carried at fair value based on quoted market prices. Realized gains and losses, net of tax, including declines in value judged to be other-than-temporary are included in the determination of earnings. Unrealized gains and losses are recorded, net of related income tax effects, as a separate component of shareholders' equity.

The Canadian and United States methods of calculating earnings per share ("EPS") are substantially the same, except that in calculating EPS under the Canadian method, cash proceeds from the deemed exercise of stock options and warrants are assumed to be invested to earn a reasonable return. Under United States GAAP, the treasury stock method is used which assumes that cash proceeds are applied to buy back the Company's own stock.

The Company follows the Canadian method of charging share issue costs to retained earnings. Under United States GAAP, all costs related to the issue of shares are offset against share proceeds with the net amount being credited to capital stock.

The Company follows the Canadian method of presentation of share purchase loans as assets where the Company has the ability and intention to enforce repayment. Under United States GAAP, share purchase loans are presented as a deduction from capital stock.

The Company follows the Canadian method of presenting the assets and liabilities of discontinued operations separately on the balance sheet. Under United States GAAP, the net discontinued operations are presented on the balance sheet.

Net earnings (loss) and earnings (loss) per common share according to Canadian and United States GAAP are as follows:

	1999	1998
Net earnings		
Canadian GAAP		
Earnings from continuing operations	$ (89,368)	$ 6,685
Earnings (loss) from discontinued operations after tax	136,065	(29,309)
Net earnings (loss)	$ 46,697	$ (22,624)
United States GAAP		
Earnings (loss) from continuing operations	$ (91,178)	$ 5,018
Earnings (loss) from discontinued operations after tax	135,783	(30,823)
Net earnings (loss)	$ 44,605	$ (25,805)
Earnings per common share		
Basic		
Canadian GAAP		
Earnings (loss) from continuing operations	$ (3.43)	$ 0.22
Earnings (loss) from discontinued operations after tax	5.19	(1.05)
Net earnings (loss)	$ 1.76	$ (0.83)
United States GAAP		
Earnings (loss) from continuing operations	$ (3.47)	$ 0.18
Earnings (loss) from discontinued operations after tax	5.17	(1.10)
Net earnings (loss)	$ 1.70	$ (0.92)
Fully diluted		
Canadian GAAP		
Earnings (loss) from continuing operations	$ (3.43)	$ 0.22
Earnings (loss) from discontinued operations after tax	4.78	(1.05)
Net earnings (loss)	$ 1.35	$ (0.83)
United States GAAP		
Earnings (loss) from continuing operations	$ (3.47)	$ 0.18
Earnings (loss) from discontinued operations after tax	5.03	(1.10)
Net earnings (loss)	$ 1.56	$ (0.92)

The following is a reconciliation of earnings (loss) from continuing operations and earnings (loss) from discontinued operations under Canadian GAAP to United States GAAP:

	1999	1998
Earnings (loss) from continuing operations – Canadian GAAP	$ (89,368)	$ 6,685
Increase (decrease) by:		
Market value adjustment on trading securities	(743)	(981)
Amortization	(649)	(640)
Deferred income taxes	177	344
Interest on equity financial instruments	(595)	(390)
Earnings (loss) from continuing operations – United States GAAP	$ (91,178)	$ 5,018
Earnings (loss) from discontinued operations after tax – Canadian GAAP	$ 136,065	$ (29,309)
Deferred income taxes	(282)	(1,514)
Earnings (loss) from discontinued operations after tax – United States GAAP	$ 135,783	$ (30,823)

The Company has presented the accounting for employee stock option plans under United States GAAP using the "intrinsic value based method."

The "fair value based method" of accounting for employee stock option plans affects net earnings (loss) and earnings (loss) per share under United States GAAP in the following manner:

	1999	1998
Earnings (loss) from continuing operations	$ (94,904)	$ 2,170
Earnings (loss) from discontinued operations after tax	135,783	(30,823)
Net earnings (loss)	$ 40,879	$ (28,653)
Earnings per common share		
Basic		
Earnings (loss) from continuing operations	$ (3.61)	$ 0.08
Earnings (loss) from discontinued operations after tax	5.17	(1.10)
Net earnings (loss)	$ 1.56	$ (1.02)
Fully diluted		
Earnings (loss) from continuing operations	$ (3.61)	$ 0.08
Earnings (loss) from discontinued operations after tax	5.05	(1.10)
Net earnings (loss)	$ 1.44	$ (1.02)

The following is a restatement of major balance sheet categories to reflect application of United States GAAP:

	1999	1998
ASSETS		
Current		
Cash and cash equivalents	$ 19,788	$ 15,998
Short term investments	73,589	4,885
Deferred income taxes	1,948	704
Discontinued operations	2,388	137,574
Other	26,003	13,432
	123,716	172,593
Mortgages and other advances	1,671	3,108
Equity in Impower, Inc.	9,735	–
Portfolio investments	12,406	–
Long term care facilities	15,805	17,369
Product acquisition costs	99,721	108,362
Other	15,518	14,741
	$278,572	$316,173
LIABILITIES		
Current liabilities	$ 28,416	$102,989
Other long term debt	90,000	90,000
Deferred income taxes	15,209	697
Minority interest	4,679	984
Other	22,248	21,573
	160,552	216,243
SHAREHOLDERS' EQUITY		
Capital stock	109,185	118,736
Accumulated deficit	(558)	(18,806)
Accumulated comprehensive income	9,393	–
	118,020	99,930
	$278,572	$316,173

Accumulated comprehensive income for the Company includes the cumulative unrealized gains or losses on securities available-for-sale. The effect on the Company's results in the current year and on a cumulative basis is as follows:

	1999	1998
Unrealized gain on investments available-for-sale	$ 9,393	$ –
Less: related deferred income taxes	–	–
Current year and accumulated comprehensive income	$ 9,393	$ –

(In 000s of US$ except per share figures) Years ended December 31

	1999	1998	1997	1996	1995	1994
ASSETS						
Cash and short term investments	$ 91,728	$ 18,654	$ 11,431	$ 27,254	$ 19,668	$ 8,716
Mortgages, other advances and receivables	22,686	11,693	10,330	17,056	12,981	28,567
Inventory	7,419	4,215	–	–	–	–
Other assets	17,628	16,654	13,783	13,211	10,354	15,040
Portfolio investments	3,013	–	–	–	–	–
Equity in Impower, Inc.	9,735	–	–	–	–	–
Product acquisition costs	99,721	108,362	–	–	–	–
Long term care facilities	24,674	25,497	26,376	27,241	28,025	41,524
Discontinued assets	2,388	310,390	331,922	218,915	66,020	120,835
Total	$278,992	$495,465	$393,842	$303,677	$137,048	$214,682
LIABILITIES AND SHAREHOLDERS' EQUITY						
Bank indebtedness	$ –	$ 76,500	$ 1,000	$ –	$ –	$ –
Other liabilities	27,078	19,953	8,729	8,489	7,769	8,302
Deferred revenue	2,918	3,975	5,678	7,384	9,102	10,867
Discontinued liabilities	–	167,249	167,420	97,629	–	35,064
Long term debt	60,668	65,003	23,886	28,847	28,998	86,039
Debentures	44,659	44,659	44,659	44,659	–	–
Deferred income taxes	16,646	843	707	324	(2,019)	(8,927)
Minority interest	4,679	984	599	331	–	–
	156,648	379,166	252,678	187,663	43,850	131,345
Shareholders' equity	122,344	116,299	141,164	116,014	93,198	83,337
Total	$278,992	$495,465	$393,842	$303,677	$137,048	$214,682
REVENUES	$ 75,701	$ 53,543	$ 55,876	$ 43,330	$ 57,361	$188,917
EARNINGS						
From operating businesses						
Pharmaceutical products	$ 15,614	$ 1,307	$ –	$ –	$ –	$ –
e-Commerce	40	–	–	–	–	–
Clinical laboratory	–	466	1,083	877	–	–
Long term care	681	1,212	875	889	145	2,768
Realization of value in operating businesses	1,929	2,232	2,341	(3,542)	6,648	7,036
Interest and other income	5,803	7,908	7,205	3,807	4,134	6,444
Earnings before undernoted expenses	24,067	13,125	11,504	2,031	10,927	16,248
Writedown of investments	148,456	–	–	–	–	–
Corporate	3,893	3,008	6,068	3,691	1,511	539
Interest	8,962	3,042	3,186	4,090	3,394	5,026
Amortization	7,204	1,372	993	1,305	1,681	1,963
Earnings (loss) before income taxes and minority interest	(144,448)	5,703	1,257	(7,055)	4,341	8,720
Income taxes (recovery)	(54,001)	(871)	(289)	(1,457)	2,986	3,082
Minority interest	(1,079)	(111)	266	232	–	–
Earnings (loss) from continuing operations	(89,368)	6,685	1,280	(5,830)	1,355	5,638
Earnings from discontinued pharmacy services operations after tax	150,594	3,793	23,655	17,183	–	–
Earnings (loss) from discontinued home health care operations after tax	(14,529)	(33,102)	(7,812)	17,132	18,048	1,211
Net earnings (loss)	$ 46,697	$ (22,624)	$ 17,123	$ 28,485	$ 19,403	$ 6,849
EARNINGS (LOSS) PER COMMON SHARE						
Basic	$ 1.76	$ (0.83)	$ 0.61	$ 1.12	$ 0.77	$ 0.21
Fully diluted	$ 1.35	$ (0.83)	$ 0.61	$ 1.04	$ 0.73	$ 0.21

DIRECTORS AND OFFICERS

Norman Hill
President, Norman Hill Realty Inc.

Morris Perlis
President & Managing Director,
Counsel Corporation;
Chief Executive Officer,
FARO Pharmaceuticals, Inc.

Philip Reichmann
Chief Executive Officer,
O&Y Properties Corporation

Allan Silber
Chairman & Chief Executive Officer,
Counsel Corporation;
Chairman, FARO Pharmaceuticals, Inc.

Edward Sonshine, Q.C.
President & Chief Executive Officer,
RioCan REIT

Gerald Turner
President Emeritus, Mount Sinai Hospital

Edward Waitzer
Partner, Stikeman, Elliott

Allan Silber
Chairman & Chief Executive Officer

Morris Perlis
President & Managing Director

Douglas Knight
Managing Director

Samuel Shimer
Managing Director

Susan Feldman
Senior Vice President

James Sas
Senior Vice President

Stephen Weintraub
Senior Vice President & Secretary

Renée Grossman
Vice President

Neville Rozowsky
Vice President & Controller

Howard Wortzman
Vice President, Financial Reporting

Gary Wasserson
President & Chief Executive Officer,
Counsel Communications, LLC

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FARO Pharmaceuticals, Inc.
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135 Routes 202/206
Bedminster, New Jersey 07921
Tel: (908) 306-5790
Fax: (908) 306-5777

Auditors
Soberman Isenbaum & Colomby LLP
Chartered Accountants

Transfer Agents & Registrars
Montreal Trust Company
Tel: (416) 981-9500

The Bank of Nova Scotia Trust Company
of New York
Tel: (212) 225-5438

Capital Stock & Convertible Debentures
At December 31, 1999, there were 25,533,000 common shares and $50,000,000 of convertible debentures outstanding.

Stock & Debenture Listings
Counsel Corporation's common shares are listed on The Toronto Stock Exchange under the symbol CXS and on The NASDAQ Stock Market under the symbol CXSN. Its convertible debentures are listed on The Toronto Stock Exchange under the symbol CXS.DB.U.

Shareholder & Investor Contact
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Senior Vice President & Secretary
Tel: (416) 866-3058
Fax: (416) 866-3061
E-mail: saw@counselcorp.com
Website: www.counselcorp.com

Annual Meeting
Counsel Corporation's Annual Meeting of Shareholders will be held on June 13, 2000 at 4:00 p.m. in the TSE Conference Centre of The Toronto Stock Exchange, The Exchange Tower, 130 King Street West, Toronto, Ontario. All shareholders are invited and encouraged to attend.

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